THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
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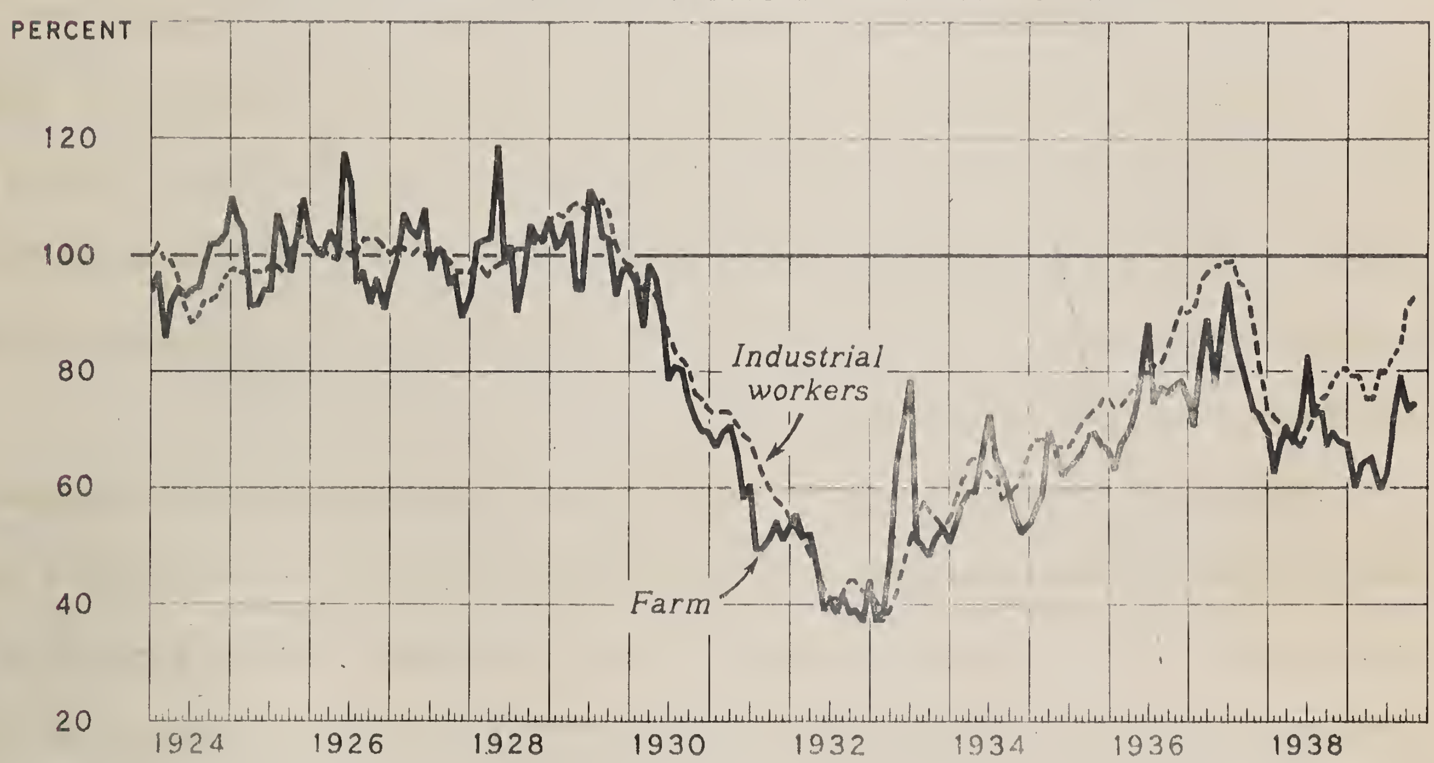
CASH INCOME FROM FARM MARKETINGS AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1924 TO DATE

INDEX NUMBERS (1924-29=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE NEG. 27017 BUREAU OF AGRICULTURAL ECONOMICS

PRICES OF FARM PRODUCTS ARE AFFECTED BY CHANGES IN SUPPLIES AND BY CHANGES IN DOMESTIC AND FOREIGN DEMAND. SINCE LARGE SUPPLIES USUALLY ARE ACCOMPANIED BY LOW PRICES, AND SMALL SUPPLIES BY HIGHER PRICES, CHANGES IN QUANTITIES MARKETED ARE NOT REFLECTED IN FARM INCOME TO THE SAME EXTENT THAT THEY ARE IN PRICES. HENCE, CHANGES IN FARM INCOME TEND TO FOLLOW CHANGES IN THE DEMAND FOR FARM PRODUCTS, WHICH IS GREATLY INFLUENCED BY THE PURCHASING POWER OF CONSUMERS, MEASURED IN THIS CHART BY INCOME OF INDUSTRIAL WORKERS. FARM INCOME WAS LOW RELATIVE TO THE INCOME OF INDUSTRIAL WORKERS DURING MOST OF 1939, BUT A MORE NEARLY NORMAL RELATIONSHIP IS EXPECTED TO PREVAIL IN 1940.

SUMMARY

The demand for farm products during the next few months may not be affected much by the downturn of industrial production which apparently has begun. Industrial activity in December reached a new all-time high. A decline, after allowance for usual seasonal movements, is expected during the first half of 1940; but this downturn is not likely to be prolonged or severe. Consumer income and demand for farm products probably will follow somewhat behind the change in industrial activity, and be less in degree.

The European War appears to have affected export demand for farm products unfavorably in November. Declines were especially noticeable in foodstuff exports (with the exception of lard) and in cotton. United States industrial exports and domestic demand should be benefited sufficiently by the European War, however, to more than offset the effects of any reduction in export demand for farm products.

Wholesale commodity prices have recovered the losses which followed the sharp advances just after the outbreak of war in Europe. The expected downturn in industrial activity during the next few months will be adverse to further price rises, but the all-commodity index should hold above the corresponding period of 1939.

Prices received by farmers in January were about the same as in December, according to preliminary indications, and there was little if any increase in prices paid.

Farm income in December apparently declined by about the usual seasonal amount, but was somewhat higher than in December 1938. During the early months of 1940 farm income will probably be higher than it was a year earlier.

The 1940 Agricultural Outlook Chart Book for Demand, Credit, and Prices is now available to readers of the Demand and Price Situation. Any reader who wants a copy may obtain it upon request to the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

A summary of the situation by commodities:

Cotton: Domestic cotton prices were somewhat lower on January 13 than the $2\frac{1}{2}$-year high reached a month earlier, but were one-fourth higher than in January 1939. Mill activity in the United States and a number of European countries continues high, but consumption is greatly restricted in the German area. Exports of American cotton from August 1 to date exceed those of the same period a year earlier by about 65 percent but were slightly less than those 2 years earlier.

Wheat: Wheat prices have declined during the past month largely as a result of a reaction to the sharpness of the rise in December, general snows over domestic winter wheat areas, and the more general realization that business news in the next few months may not continue so favorable.

Feed grains: Feed-grain prices advanced during December and early January, influenced by a continued high level of wheat prices, an active sealing of 1939 corn, and prospects for smaller supplies of "free" feed grains per animal unit than during the past 2 years. The disappearance of corn during the period October-December was somewhat larger than during that period last year, but stocks on January 1 were large, and another large carry-over is in prospect for October 1, 1940.

Rice: Improved domestic consumer demand, heavy shipments of rice to Puerto Rico, and anticipation of stronger foreign demand have been price-supporting factors during the last 4 months.

Oilseeds and fats and oils: Although prices of domestic oils have declined somewhat since last September, prices of oilseeds have advanced considerably, with the greatest rise in prices of soybeans. Domestic production of soybeans in 1939 was the largest on record, but production in Manchuria was smaller than in 1938. Exports of soybeans and lard in recent months have been materially larger than a year earlier. Prices of most domestic fats and oils averaged lower in 1939 than in any of the preceding 5 years. The production of fats and oils from domestic materials in 1939 was the largest on record.

Hogs: The 1940 pig crop is expected to be smaller than the record crop of 1939. This will mean a smaller hog slaughter in the 1940-41 marketing year than in 1939-40. After declining to the lowest level in more than 5 years in mid-December, hog prices advanced in the last half of December but weakened again in early January. Hog marketings have been running considerably larger than a year earlier, but the market movement of spring pigs appears to have been later than usual.

Cattle: The total number of cattle on feed on January 1, 1940 was the largest in recent years. The increase over a year earlier was about 12 percent in the Corn Belt and 19 percent in the Western States. Prices of all grades of slaughter cattle declined moderately in the first half of December but strengthened in the last half of the month and in early January. Slaughter supplies of cattle decreased seasonally in December.

Lambs: The number of sheep and lambs on feed in the Corn Belt on January 1, 1940 was about 5 percent larger than a year earlier; in the Western States the number was about the same as a year earlier. After declining in November and in the first part of December, prices of slaughter lambs strengthened materially in late December and in early January. Slaughter supplies of sheep and lambs decreased seasonally in December but were larger than in December 1938.

Wool: The carry-over of domestic wool in the United States at the beginning of the new marketing season on April 1, 1940 is likely to be the smallest in recent years. Because of the small supplies of domestic wool available interest in the wool market in the next few months will be centered largely on foreign wool. Prices of domestic wool showed little change in the last month. Quotations for graded domestic wools at Boston are still about 40 percent higher than before the sharp rise in September.

Butter: The small seasonal increase in butter production and the improvement in demand have resulted in further increases in butter prices. Prices during the spring and summer of 1940 are expected to average higher than in 1939. Butter production is less than a year earlier but above average. Consumption through regular trade channels has been increased somewhat, while the distribution for relief has been reduced.

Poultry: Egg production per layer and per flock on both December 1 and January 1 was the highest on record. As a result of the increased production, farm egg prices on December 15 declined to the lowest figure for that date in 30 years and the feed-egg ratio has become increasingly unfavorable for poultry producers.

Fruits and vegetables: Market prices of most truck crops declined slightly during recent weeks whereas those of potatoes and most fruit crops advanced. These changes were due in part to changes in market supplies and in part to seasonal factors. The improvement in demand conditions this season over last season has been offset to some extent by the increases in supplies of fruit made available for the domestic market as a result of decreased export movement.

DOMESTIC DEMAND

The rapid improvement in conditions affecting the domestic demand for farm products has been halted. A decline of industrial production from the all-time peak reached in December is in prospect during the next few months. Similar but less pronounced changes in consumer income and demand for farm products probably will occur with some lag. In general, demand conditions are not expected to change as much during the next few months as in the last half of 1939.

Increases in industrial production and consumer income during the last quarter of 1939 were in part a reflection of the wave of buying set off by the outbreak of war in Europe. Added to the improvement which had already been in evidence since May, increases in orders were sufficient to tax the capacity of several important industries, notably steel and textiles. Now, however, producers in these industries are beginning to catch up, though backlogs of orders apparently are sufficiently large to justify expectation of but moderate relaxation during the first quarter.

Such fragmentary data as are available show that inventories have in general been increased recently, but probably not sufficiently to necessitate a drastic or prolonged adjustment in production. For instance, latest available estimates show smaller increases over a year earlier in inventories than in sales for manufacturers, wholesalers, and department stores. Thus, unless the expected downturn in productive activity has a more adverse effect on retail sales and business spending than a similar downturn had early last year, existing inventories need not necessitate a prolonged period of readjustment. Conversely, it should be mentioned that inventories are apparently considerably higher now than they were prior to the 1936-37 period of heavy accumulation, so that any unexpected shock to business sentiment could lead to more drastic curtailment than at present appears likely.

It is not yet possible to discern any very marked over-all direct effects of the European War on domestic business. November exports were on the whole lower relative to those of October than is normal, but there was no decline in exports of finished manufactures.

During the first part of an industrial decline consumer incomes are supported by increased payments and general employment resulting from the previous period of business improvement. Even after consumer purchasing power declines, some time is required for consumers to readjust their purchases of many items. As a result, consumer demand for farm commodities such as dairy products, meats, and fruits tends to lag behind changes in industrial production. This will be true in the present situation, so that consumer demand may be affected very little during the first part of the year. Later, if the decline develops as expected, the effects may be more noticeable. Likewise, improvement in demand will be slower than in industrial activity during the last half of the year, according to present prospects. The speculative markets for farm products usually reflect changes in business conditions more quickly.

EXPORT DEMAND

The net effect of the war in Europe (now in progress more than 4 months) on exports of farm products has been a reduction from the amount which would have been exported if war had not existed. This situation is likely to continue through much of 1940 at least.

Besides such unpredictable things as the outcome of war at sea, effects of war-time controls over trade and exchange, and strategic factors determining where belligerents do their buying, there are other considerations which are not favorable to exports of farm commodities from the United States to belligerents. For instance, the long period of uncertainty before war actually began permitted belligerents to build up stocks of essential commodities and to increase domestic production. This applies to industrial as well as farm products. Another adverse factor is the low buying power of depreciated currencies of the belligerents in dollar markets; their funds will reach further in the markets of other countries, the currencies of which have also depreciated since the European war started. Much of their agricultural product needs can be met in these other markets, though certain important industrial war materials must be bought from us.

Favorable factors in the outlook for exports to belligerents are the large gold reserves and dollar securities owned by France and England, and relatively short ocean routes between the United States and Europe. Gold and dollar security resources may be converted into dollar exchange, as needs arise. Some of these resources have already been used for buying in American markets. The longer the war continues and the more active it becomes the more rapid the draft on these funds for purchases in American markets is likely to be. The advantage of short ocean routes will depend in part on success from time to time of German attempts to cripple the British fleet; the greater this success the greater the advantage of the shorter routes.

The direct effects of war on farm product exports are not uniform. Exports of some will be stimulated; for others the effects will be adverse. The principal farm products the exports of which will likely be reduced by the war include: wheat, cotton (ultimately), tobacco, and fruits. Those which will be helped include: hog products, fats and oils, and evaporated milk. Of course, prices of some of these commodities will be stimulated by war conditions even though the quantity of exports is reduced.

The direct effects of war on farm products exports as a whole will be to reduce them in 1940 from what they otherwise would have been but not below the low level of 1939. The indirect effects will probably be increased domestic buying power for farm products through the larger number of industrial workers required to make industrial products for export and the speculative influences arising from war. The net effect of these opposing war-time forces may be to increase the total demand for farm products.

WHOLESALE PRICES

Although the general level of commodity prices probably will be subject to the depressing influence of a declining trend of industrial production

during the next few months, there is apparently enough support from other factors in the situation to prevent any marked decline, and prices should average higher than in the corresponding period of 1939.

By early January the all-commodity wholesale price index of the Bureau of Labor Statistics was back to the peak which was reached in late September soon after the outbreak of war in Europe. The farm products and textile groups, in particular, were prominent in the rise of late December and early January, but some of these products, such as cotton and wheat, have since lost a part of their earlier gains.

At the beginning of a prospective decline in industrial activity, commodity prices now appear to be less vulnerable than on some other occasions when the industrial situation was similar. It will be remembered that commodity prices - even for industrial raw materials which are usually sensitive - had failed to respond to the 1938-39 recovery in industrial activity and consumer income until the outbreak of war in Europe. Had the advance in general prices since August been superimposed upon a prolonged cumulative rise, the danger of a substantial relapse might be serious.

Prices of dairy products did not begin to reflect the better buying position of consumers until recently, and egg prices have continued to decline. Prices of such foods as these, after allowing for seasonal influences, might resist a fairly sharp decline in industrial activity if it were not prolonged beyond a few months. Changes in consumer income tend to lag somewhat behind industrial activity and are also less violent.

Price advances in some products are apparently again reflecting the speculative psychology which first appeared with the outbreak of war in Europe. For example, the November-December advances in cotton and wheat prices must have been in part attributable to war-time speculation. This may prove to be a cumulative factor of strength in the general price situation as the war continues, and would help to offset the depressing effects on many commodities of a decrease in industrial production such as is anticipated during the early months of 1940.

FARM INCOME

The sharp decline from November to December in prices of hogs, eggs, and truck crops more than offset increased marketings, and income from these commodities declined more than seasonally. The increase in prices of grain and cotton was accompanied by some increase in sales, and income from these commodities declined less than seasonally. Preliminary indications are that total farm income from November to December made only about the usual seasonal decline. Income in December, however, was somewhat higher than in the corresponding period a year earlier, and Government payments were also larger than in December 1938.

Loans to farmers on corn were not begun until late in December 1939, whereas in 1938 loans started in October. Consequently income from corn including loans during the early months of 1940 should be somewhat higher than in these months a year earlier. Indications are that the proportion of the 1939 cotton and wheat crops held over for sale during the early part of 1940 also are somewhat larger than a year earlier, but the wheat crop was smaller

than the preceding one. This, together with the improvement in prices of these products, should result in a material increase in income from farm marketings during the first 6 months of 1940 compared with the corresponding period in 1939. Income from dairy products and fruits and vegetables also is likely to exceed the corresponding months of 1939. Income from meat animals should show some improvement. Income from tobacco and poultry and eggs is likely to average lower than a year earlier on account of the marked decline in prices for these commodities.

Soil conservation payments to farmers on the 1939 program got under way slightly earlier than in 1938, and more has been paid out to the end of the year than was paid out in 1938, but Government payments are expected to continue large during the first half of 1940 and may not be much smaller than in January to June last year, when they amounted to $414,000,000.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers are estimated, on the basis of prices in central markets, to have shown little change from mid-December to January. Wheat and cotton just about held the advances which occurred prior to mid-December, livestock prices strengthened, and the decline in eggs was not as marked as in December.

The general level of farm prices in December, at 96 percent of the 1910-14 average, was off a point from the preceding month as a result of substantial declines in chickens and eggs and truck crops.

Prices paid by farmers remained unchanged at 122 percent of the 1910-14 average from September to December inclusive. Despite strengthening in some groups of wholesale prices in recent weeks it is doubtful that there has been much if any increase in average prices paid by farmers since December.

COTTON

Following the sharp advance in November and early December, domestic cotton prices dropped more than $\frac{1}{2}$ cent on December 14, after having reached a $2\frac{1}{2}$-year high the preceding day. Much of this loss was recovered by Jan. 2, but on January 13, Middling 7/8" in the 10 markets which averaged 10.63 cents was 0.48 cent less than the average on December 13. It was, however, 2.09 cents above the January 1939 average.

Except for a brief period in early December, domestic manufacturers' sales of cotton textiles have apparently continued well below production during recent weeks, but mill activity has continued at an exceptionally high level. The 653,000 bales consumed in December was the second largest for the month on record and exceeded December 1938 by 15 percent. The 3,312,000 bales consumed from August through December established a new record high and exceeded consumption in the like period last season by 18 percent. A decline in domestic business activity may restrict mill consumption during the next few months, but high prices of jute and other competing fibers and relatively large cotton textile exports should help maintain consumption at comparatively high levels.

Cotton mill consumption in a number of European countries is continuing at unusually high levels, largely on the strength of Government orders. In the German-controlled area and in a few other countries, cotton consumption is being restricted by a shortage of raw cotton.

Exports of American cotton of 807,000 bales in December were more than twice as large as the exceptionally small exports in December 1938, and in the first 2 weeks of January they were still larger relative to a year earlier. The 3,143,000 bales exported up to January 12 exceeded exports of a year earlier by 65 percent, but were slightly less than in the corresponding period of 1937-38. Reported sales and deliveries of raw cotton for export payment up to January 9 totaled 5,688,000 bales.

Despite reduced exports to Germany, total exports from Egypt were considerably larger in the first 3 or 4 months of the current season than in the corresponding period of 1938. Exports from Brazil showed little change and exports from India declined. Exports to Great Britain from all three of these countries were considerably larger than in the comparable period last season.

WHEAT

Wheat prices in domestic and foreign markets after reaching, on December 18, the highest levels in about 2 years have since been unsettled and lower, largely as the result of a reaction to the sharpness of the rise, general snows over domestic winter wheat areas, and the more general realization that business conditions in the next few months may not continue so favorable. On January 12, No. 2 Dark Hard Winter wheat at Kansas City was 99.5 cents per bushel and No. 1 Dark Northern Spring at Minneapolis was 101.7 cents; both 9 cents lower than on December 18.

Wheat prices in the United States continue high relative to prices in other countries as a result of a 1939 crop only moderately above annual domestic requirements, prospects that the 1940 crop will be small, and the withholding of large quantities of wheat from market this year. Gulf prices of Hard Winter wheat are between 25 and 30 cents above export parity, while prices of domestic spring wheat at Buffalo are only about 10 cents lower than approximately the same quality of Canadian wheat, c.i.f., duty paid, at Buffalo.

If it is found by the investigation being conducted by the United States Tariff Commission that imports of wheat are interfering with the agricultural programs, and import quotas are set under section 22 of the Agricultural Adjustment Act of 1933 as amended, any fear of large-scale imports will be removed. Indemnified sales of United States wheat and flour for export have now been discontinued, except for flour exports to the Philippines.

Domestic wheat prices during the next few months will depend largely upon overseas sales of Canadian wheat, political developments in Europe, general business conditions, and the manner in which farmers dispose of wheat

now under loan. The market can absorb a reasonable volume of sales without much price effect if the loans are liquidated in an orderly manner, but a large volume of sales in any short period of time might have a depressing effect upon prices.

CORN AND OTHER FEED GRAINS

Feed grain prices continued upward during December and early January. For the week ended January 6 prices of oats and barley were well above the September peak and were higher than at any time since the harvesting of the 1938 crops. The price of corn was near the September peak. The comparatively high level of wheat prices and the active sealing of 1939 corn were apparently important factors influencing higher feed grain prices. The fact that supplies of feed grains, excluding corn under seal or held by the Government, are smaller per animal unit than comparable supplies during the past 2 years may continue to give strength to feed grain prices during the next few months.

The January 1 farm and commercial stocks of corn totaled 1,977 million bushels. In addition to this amount it was estimated that about 70 million bushels of corn were held by the Government in steel bins and country elevators, which made the total stocks of corn on January 1 about 2,045 million bushels. This compares with the estimated stocks of 1,872 million bushels on that date last year. The total disappearance of corn during October-December 1939 was about 1,135 million bushels compared with 1,053 million bushels during that period of 1938. These figures would indicate that a large carry-over of corn is again in prospect for the end of the present marketing year. The disappearance of oats during these 3 months was slightly larger than in that period of 1938 despite smaller oats supplies. The total stocks of oats on January 1 were 15 percent smaller than the January 1 stocks in 1939.

Total exports of corn have declined since the October peak. The total exports for November 1939 amounted to only a little over 1 million bushels compared with about 6 million bushels in November 1938. Imports of oats have continued to increase since July, but to date they have not been of sufficient volume to have any significant effect on the domestic supply situation.

RICE

The average United States farm price of rice December 15 was 72 cents per bushel, or 6 cents per bushel higher than for December 1938, and 14 cents per bushel higher than the price on August 15, 1939. Average prices received for rough rice, however, have receded about 15 cents per bushel since the middle of September, reflecting the general downward adjustment of prices after the sharp upturn resulting from the outbreak of hostilities in Europe. The comparatively high level of rice prices during the past 4 months as compared with prices prior to the outbreak of war apparently shows an anticipation of stronger foreign demand as a result of the war. Improved domestic consumer demand since August, and heavy shipments of rice to Puerto Rico have also been price-supporting factors.

The total 1939-40 supply of southern rice, including the December 1 estimated production and the August 1 carry-over, was 13.7 million barrels, 3 percent larger than the 1938-39 supply. The supply in California, including October 1 carry-over and December 1 estimated production, was 3.1 million barrels, 14 percent larger than the supply a year earlier. The disappearance during the period August-November was a little smaller than for this period a year earlier, and total estimated United States stocks of rice on December 1 were estimated to be over 1 million barrels larger than on December 1, 1938. Stocks in each of these years were much above the average for the past 5 years.

Exports of rice were large in September but have declined sharply in recent months. For the period August-November total exports were about 4 percent smaller than for the corresponding period a year earlier. Shipments of rice to Hawaii were slightly larger than during this period in 1938, while shipments of rice to Puerto Rico were much larger. The total quantity of rice exported and shipped from the United States during the months August-November totaled 208.7 million pounds, which compares with 180.6 million pounds for those months a year earlier, and represents about 12 percent of the total 1939-40 domestic supply.

OILSEEDS AND FATS AND OILS

Although domestic supplies of fats and oils and of feed grains and other feedstuffs are relatively large, prices of domestic oilseeds have advanced materially since September. The price of cottonseed at Dallas in December averaged $27.60 per ton compared with $22.40 in September and $23 in December 1938. No. 2 Yellow soybeans at Chicago in December averaged $1.15 per bushel compared with 87 cents in September and 81 cents in December 1938. No. 1 flaxseed at Minneapolis in December averaged $2.07 per bushel compared with $1.75 and $1.90.

Prices of soybeans have advanced more than prices of other oilseeds despite record large domestic supplies of this commodity, which have been offset in part, however, by decreased production in Manchuria. Prices of soybean oil in December were about the same as they were in September and in December a year earlier, but cake and meal prices were considerably higher, reflecting improvement in the demand for feeds with increased livestock numbers and higher consumer income. Another factor tending to support prices of soybeans may have been the marked competition between exporters and domestic crushers for the available supply. It is reported that a sharp increase in the number of soybean crushing mills located in the commercial soybean area has taken place during the past year; domestic crushing capacity is now estimated at about 80 million bushels annually.

Domestic production of soybeans in 1939 is estimated at about 87 million bushels compared with 63 million bushels in 1938 and a 5-year (1929-33) average of 14 million bushels. If 60 million bushels of the 1939 crop of soybeans are crushed domestically, approximately 550 million pounds of crude soybean oil would be produced compared with an average production in the years 1929-33 of less than 30 million pounds annually.

Cottonseed oil prices in December were slightly lower than in September, and also were lower than in December 1938. But prices of cottonseed cake and meal, as well as of hulls and linters, were considerably higher than they were 3 months and a year earlier. Production of cottonseed from the 1939 cotton crop is estimated to be slightly smaller than a year earlier, and below average.

The price of flaxseed apparently has been influenced largely by increased prices for linseed oil. Oil prices at Minneapolis in December were nearly 10 percent higher than in September, and were nearly 20 percent higher than a year earlier. Increased building activity and stronger demand for paints, and restricted exports of tung oil from China, have been important factors in raising prices of linseed oil. Although the 1939 crop of flaxseed in Argentina turned out to be somewhat smaller than a year earlier, world production for 1939 is estimated to have been slightly larger than in 1938.

Prices of most domestic fats and oils averaged lower in 1939 than in any of the preceding 5 or 6 years. Prices of several of the imported fats and oils, on the other hand, averaged about the same as a year earlier; while some of the imported items, influenced by the restricted movement of tung and teaseed oils from China, scored sharp advances.

Approximately 8.4 billion pounds of fats and oils were produced from domestic materials in the United States in 1939. Such production was about 400 million pounds larger than in 1938, and was the largest on record. Difficulty in finding profitable export markets for the large surplus of lard and soybean oil - in competition with foreign fats, oils, and oilseeds - was one of principal causes for the general weakness in prices of domestic food and soap fats and oils during the past year.

Exports of lard and soybeans gained substantially in November. For the first 3 months following the outbreak of war in Europe, lard exports totaled 69 million pounds compared with 56 million pounds in the corresponding period of 1938. Exports of soybeans totaled over 6 million bushels during the same period compared with 2 million bushels a year earlier. The United Kingdom took somewhat less lard than in the previous year, but other countries took considerably more.

HOGS

On the basis of the December 1939 pig crop report and other information, the pig crop of 1940 is expected to be smaller than the 1939 pig crop. This decrease will follow the large increases in 1938 and 1939. The increase in the 1939 pig crop over that of 1938 is being reflected in a marked increase in market supplies of hogs in 1939-40 over 1938-39. But indications are that supplies of hogs in 1940-41 will be smaller than in 1939-40.

The combined spring and fall pig crop of 1939 totaled 84.3 million head. This was about 19 percent greater than the total crop of 1938, and it was the largest crop in the 17 years of record. The 1939 fall pig crop was 16 percent greater than the 1938 fall crop, and it was a little larger than seemed probable a few months ago.

Slaughter supplies of hogs increased sharply in December. Federally inspected slaughter for the month totaled 5,236,000 head, 18 percent more than in November and 20 percent more than in December last year. It also was the largest inspected slaughter for December since 1931. Marketings of spring pigs have been somewhat later than usual this year. Total inspected slaughter for the first quarter (October-December) of the current hog marketing year was about 14 percent larger than in the corresponding period of 1938-39, whereas the 1939 spring pig crop was 20 percent larger than that of 1938. This may mean that the seasonal decrease in hog marketings in the late winter will be less than usual.

After declining to the lowest level in over 5 years in mid-December, hog prices advanced moderately in the last half of December but weakened again in early January. The average price of butcher hogs at Chicago for the week ended January 6 was $5.50, about the same as a month earlier but nearly $1.75 lower than in the corresponding week of 1939. The steady decline in hog prices which has occurred since September reflects chiefly the sharp increase in slaughter supplies of hogs in the current hog marketing year (October-September).

An important factor in the prospects for a smaller pig crop in 1940 than in 1939 is the sharp decrease in the ratio of hog prices to corn prices in the past 2 months. From October 1937 through November 1939 the hog-corn price ratio was favorable for hog producers, but in recent weeks it has become unfavorable and is now considerably below average. The decrease in the ratio probably will be reflected in a smaller number of sows farrowing next spring and also in lighter weights of hogs marketed.

CATTLE

Marketings of grain-fed cattle during the winter and spring of 1940 are expected to be materially larger than in the same period a year earlier. The number of cattle on feed in the Corn Belt on January 1, 1940 was 12 percent larger than a year earlier, and the numbers on feed in the Western States was 19 percent larger. For the country as a whole, the total number of cattle on feed at the beginning of 1940 was the largest in recent years and among the largest in the past 20 years.

Since mid-November, marketings of short-fed cattle have increased considerably, reflecting to some extent the large early movement of heavy feeder cattle in the late summer and early fall. The number and proportion of well finished grain-fed cattle marketed have decreased during the past month.

The number of cattle slaughtered under Federal inspection in December totaled 773,000 head, 64,000 head less than in November but 15,000 head more than in December 1938. Slaughter supplies of cattle were smaller in most months of 1939 than a year earlier, and total inspected slaughter for the year of 9,446,000 head was 330,000 head, or about 3.5 percent less than in 1938; the total live weight of cattle slaughtered, however, was only about 1.5 percent less. Inspected calf slaughter in December totaled 381,000 head, compared with 450,000 head in November and 417,000 in December 1938. Total inspected calf slaughter for the year amounted to 5,264,000 head, or about 4 percent less than in 1938.

After declining moderately in the first half of December, prices of all grades of slaughter cattle strengthened in the last half of that month, and in early January were little different than a month earlier. The average price of good grade beef steers at Chicago for the week ended January 6 was $9.45, compared with $9.55 a month earlier and $10.35 in the corresponding week of 1939. Prices of light-weight slaughter cattle remained high in relation to prices of heavy cattle during December. Prices of stocker and feeder cattle fluctuated somewhat during December but in early January they were at about the same level which has prevailed since the first part of September.

LAMBS

Slaughter supplies of lambs during the current fed-lamb marketing season (December-April) will be larger than a year earlier. The number of sheep and lambs on feed in the Corn Belt on January 1, 1940 was 5 percent larger than a year earlier. The number on feed in the Western States on January 1 was slightly larger than a year earlier, but the number in the West fed throughout the winter feeding season is expected to be smaller in 1939-40 than during the 1938-39 season. Because lambs fed in the Corn Belt ordinarily are marketed earlier than those finished in the Western States, most of the increase in slaughter supplies of lambs during the 1939-40 fed-lamb marketing season probably will occur during the early months (December-February) of the season.

Federally inspected slaughter of sheep and lambs totaled 1,389,000 head in December. This was about 80,000 head less than in November but about 42,000 more than in December 1938. November and December have been the only months in the current lamb-marketing year, which began May 1, in which slaughter supplies of sheep and lambs have been larger than a year earlier. The increase in these 2 months over the corresponding months of 1938 probably reflects the earlier than usual increase in marketings of fed lambs from the Corn Belt.

After declining in November and the first part of December, prices of slaughter lambs strengthened materially in late December and early January. The average price of good and choice grade slaughter lambs at Chicago for the week ended January 6 was about $9.05, which was about the same as a month earlier and about 15 cents higher than in the corresponding week of 1939. Prices of feeder lambs averaged somewhat lower in December than during the preceding 2 months, but in early January the average price of good and choice feeder lambs at Omaha of $8.35 was about 25 cents higher than a year earlier. Prices of slaughter ewes have advanced steadily since late August, and in early January the average price of $4.30 for good and choice grade slaughter ewes at Chicago was about $1.10 higher than the August 1939 average.

WOOL

The carry-over of domestic wool in the United States at the beginning of the new marketing season on April 1, 1940 is likely to be the smallest in recent years. With mill consumption expected to continue at a fairly high level in the first quarter of 1940, imports of apparel wool in the early months of 1940 probably will be larger than at any time since the early months of 1937.

Sales of domestic wool were small in December and early January. Quotations were firm on fine and 1/2 blood wools but prices were somewhat irregular on coarser grades. Quotations for graded domestic wools at Boston are still about 40 percent higher than before the sharp rise in September. Prices of merino wools from South Africa and South America were lower in December than prices of fine and 1/2 blood domestic wools at Boston.

Orders are now being placed in Australia for fine and 1/2 blood wools to be imported into the United States. About 22,500,000 pounds of such wool are to be released to the United States within a short period of time, according to the Australian Trade Commissioner in the United States.

Domestic mill consumption of apparel wool in November was slightly smaller than in October but the November consumption was 12 percent larger than a year earlier and, with the exception of November 1935, was the largest November consumption in the last 15 years. Consumption for the entire year 1939 was close to the near record 1935 total of 659 million pounds, grease basis.

United States imports of apparel wool for consumption totaled 82 million pounds in the first 11 months of 1939 compared with only 26 million pounds in the same months of 1938 and an average of 70 million pounds for those months in the 5 years 1933-37. Receipts of foreign wool at United States ports increased sharply in November and in December.

BUTTER

The 9 percent rise in butter prices from September to December was about the same as the usual seasonal increase. In early January, however, prices increased somewhat further, at a time of the year when the seasonal trend is usually downward. The relatively small seasonal increase in butter production, together with the more widespread effect of the improvement in business activity in the latter part of 1939, appear to be the principal factors in accounting for the recent rise.

Even though a decline in business activity occurs during the next few months and there is also a seasonal decline in butter prices; it is expected that during the first half of 1940 butter prices will average decidedly higher than in the same period of 1939. It also appears probable that prices during the 1940 summer storage season will average higher than in 1939.

Total milk production is higher than a year ago and butter production is lower; apparently there has been some increase in consumption of fluid milk and cream. In November butter production was 4 percent less than a year earlier, but 4 percent above the 5-year average, 1934-38. Weekly reports indicate that production during December and early January was also somewhat less than the high production a year earlier. It seems probable, however, that production will continue above average. Cows are being fed liberally, and there are more cows on farms.

Total consumption of butter in November was slightly less than in November 1938. The decline, however, was due to the decrease in distribution of butter for relief. Trade output through regular commercial channels was 2 percent larger than in November 1938. Retail prices were up 7 percent. These

changes indicate that consumer expenditures for butter in November were about 10 percent larger than in November 1938, and after allowing for seasonal changes about 10 percent larger than in October 1939. November was the first month to show any marked increase since mid-summer. With the improvement in urban prosperity that has taken place, consumer expenditures for butter probably will continue above the level of the first half of 1939.

POULTRY AND EGGS

Egg production per layer and per flock on both December 1 and January 1 was the highest on record. As a result of the increased production, farm egg prices on December 15 declined to the lowest figure for that date in 30 years.

As a result of continued low egg prices and rising feed costs, the Chicago feed-egg ratio is becoming increasingly unfavorable for poultry producers. For the week ended January 6 the value of 100 pounds of poultry ration at Chicago was equivalent to the value of 6.72 dozen eggs. Thus, the ratio approached the record high for the corresponding week of 7.76 dozen reached in 1937 and was substantially above the previous second high for the corresponding week of 5.94 dozen reached in 1935. The advance since November 18 has been much greater than for the corresponding weeks of 1938-39 or the 1928-37 average increase for those weeks. For the week ended January 6 about 1-3/4 dozen more eggs were required to purchase 100 pounds of poultry feed than in the corresponding week of 1939. Only a moderate rise in the feed-egg ratio is expected to take place during the next few months. A substantial part of the seasonal rise in the feed-egg ratio which ordinarily occurs during January and early February took place in the marked advance of the past few weeks. However, the ratio probably will continue above that of a year earlier.

The increase in market receipts of eggs has been greater than seasonal. United States stocks of shell eggs on January 1, 1940 were nearly twice those of a year earlier but about half of the 1928-37 average stocks. Stocks of frozen eggs were about 15 percent above stocks on January 1, 1939.

Storage stocks of poultry usually reach a peak early in January. United States stocks on January 1 were 20 percent larger than on the corresponding date in 1939 and 34 percent above the 1928-37 average. During December the into-storage movement was materially above that in December 1938, the increase consisting largely of turkeys. Market receipts of poultry have also been above those of a year earlier. Supplies of poultry are expected to continue larger during the first half of 1940 than in the same period in 1939.

Prices received by farmers for chickens on December 15 continued about 2 cents per pound below those of that date in 1938 and almost 3 cents below the 1928-37 average for December 15. Turkey prices were almost 3 cents below those of a year earlier, and the same amount below the 10-year average.

POTATOES

Potato prices at market centers rose slightly during December, and in early January averaged generally slightly higher than a year earlier. Marketings of old stock from country warehouses in recent weeks have been slightly larger than during the same period of the previous seasons. Carlot shipments of the late crop from the beginning of the season to January 1, however, totaled about 59,000 cars or about the same as shipments moved to January 1, 1939. The distribution of the crop and movement to date would indicate that approximately 80,000 cars will be shipped from the late States after January 1, 1940 as compared with 83,000 cars shipped after January 1 last year.

The fall and winter crop of potatoes in South Florida and Texas is indicated to total 1,461,000 bushels this season compared with 1,690,000 bushels a year earlier and 918,000 bushels the recent 10-year average. Marketings from these areas are well started, with Florida supplying most of the carlot movement.

The intended acreage of early potatoes in North Florida and the Lower Valley of Texas is indicated to be increased 4 percent over last year to 21,300 acres. An increase of 25 percent is indicated for the Lower Valley of Texas but a 4-percent decrease is reported for North Florida. Shipments from these areas probably will start about April 1.

TRUCK CROPS

Market prices of truck crops in general declined slightly during December, and in early January averaged somewhat lower than a year earlier. Prices of cauliflower, celery, kale, lettuce, spinach and turnips, however, advanced in December, and those of snap beans, beets, cabbage, cauliflower, celery, eggplant, kale, and tomatoes in early January averaged somewhat higher than in early January 1939. These price changes largely reflect changes in market supplies, although seasonal factors had an important influence in some instances.

The winter crop of snap beans in Florida is indicated to be about 16 percent larger than it was last year and will offset to some extent the short fall crop, a part of which is still being marketed. Texas has an unusually large crop of beets this season, about 13 percent more than last season. Because of the drought in Texas the early cabbage crop is smaller than was expected earlier and is about 12 percent smaller than the crop a year earlier. The early production of carrots, celery, and tomatoes is expected to be larger than it was last year but the production of early spinach is reduced somewhat.

The early (Bermuda) onion acreage is indicated to be reduced materially, about 31 percent, largely because of dry weather in Texas at planting time. Condition of the crop in the early States as a group as of January 1 averaged 32 percent below that of a year earlier and indicates that yields are likely to be very low this season. It is probable, therefore, that production will be greatly reduced from that of last year.

FRUITS

Market prices of most fruits rose slightly during December, and in early January averaged slightly below those of a year earlier.

Although the total winter orange supply is indicated to be slightly smaller than that of a year ago, the Florida crop is the largest on record. There was a slightly seasonal rise in prices in recent weeks but, because of relatively heavy Florida marketings, prices in early January were somewhat lower than in early January 1939.

The grapefruit crop is indicated to be 16 percent smaller than it was last season but is the second largest crop on record. Texas marketings have been heavy and prices have declined somewhat in midwestern markets.

California lemon production is indicated to be slightly below that of last season's large crop, and market prices have been averaging somewhat above those of a year earlier although they have declined slightly in recent weeks.

Cold storage holdings of apples totaled 26.2 million bushels on January 1 as compared with 26.6 million bushels a year earlier. Because of the reduced export movement this season, occasioned by large fruit crops and war conditions in Europe, the Federal Surplus Commodities Corporation continued to purchase apples for relief distribution during December and early January. Purchases to December 1 totaled 4,500,000 bushels, and in December approximately 867,000 bushels were purchased. These purchases have tended to strengthen market prices in recent weeks.

Cold storage holdings of pears on January 1 totaled 1.2 million bushels as compared with 1.4 million bushels on January 1, 1939. The loss of the export market this season has forced a larger proportion of the winter supply into domestic markets, and market prices have shown little seasonal rise in recent weeks.

Economic trends affecting agriculture
Index numbers: Indicated base period = 100

Year and month	Industrial production 1/	Construction contracts awarded 1/	Factory employment 2/	Factory payrolls 2/	Income of industrial workers 3/	Volume of agricultural exports 4/	Wholesale prices of all commodities 5/	Retail food prices 6/	Prices received by farmers 7/	Prices paid by farmers	Ratio of prices received to prices paid	Cash income from farm marketings 8/
Base period:	1923-25	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	119	117	106	110	107	107	139	166	146	153	95	104
1930	96	92	92	89	88	82	126	158	126	145	87	83
1931	81	63	78	68	67	88	107	130	87	124	70	58
1932	64	28	66	47	46	94	95	108	65	107	61	43
1933	76	25	73	50	48	85	96	105	70	109	64	49
1934	79	32	86	64	61	66	109	117	90	123	73	57
1935	90	37	91	74	69	61	117	128	108	125	86	63
1936	105	55	99	86	80	55	118	130	114	124	92	74
1937	110	59	109	102	94	65	126	135	121	130	93	80
1938	86	64	90	78	73	75	115	125	95	122	78	70
1938-												
July	83	59	85	71	69	86	115	127	95	123	77	83
Aug.	88	66	89	77	72	76	114	124	92	122	75	72
Sept.	90	78	92	82	75	66	114	125	95	121	79	72
Oct.	96	82	92	84	76	62	113	124	95	121	79	67
Nov.	103	96	93	84	78	62	113	123	94	121	78	69
Dec.	104	96	94	87	80	54	112	125	96	120	80	68
1939-												
Jan.	101	86	92	84	80	61	112	123	94	120	78	68
Feb.	99	73	94	86	79	66	112	122	92	120	77	60
Mar.	98	69	94	88	79	69	112	121	91	120	76	64
Apr.	92	67	94	86	75	55	111	121	89	120	74	64
May	92	63	93	85	75	62	111	121	90	120	75	65
June	98	63	93	86	80	46	110	121	89	120	74	60
July	101	67	94	84	80	51	110	121	89	120	74	62
Aug.	103	73	96	90	83	63	109	119	88	119	74	71
Sept.	111	73	100	94	85	81	115	125	98	122	80	79
Oct. 9/	121	76	104	102	91	82	116	124	97	122	80	72
Nov. 9/	124	84	104	102	93	56	116	123	97	122	80	74
Dec. 9/							115		96	122	79	

Continued-

Economic trends affecting agriculture - Continued

1/ Federal Reserve Board, adjusted for seasonal variation.
2/ Bureau of Labor Statistics, without seasonal adjustment. Revised September 1939.
3/ Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised October 1939.
4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
7/ August 1909 - July 1914 = 100.
8/ Adjusted for seasonal variation.
9/ Preliminary.